

An aerial, top-down view of a city's street grid, rendered in a light blue line-art style. The grid is dense and covers most of the frame. In the upper right corner, there is a more organic, less grid-like area that might represent a park or a different urban layout. The entire image is overlaid with a semi-transparent blue filter.

positioning rochester



RETAIL OFFERINGS AT UNIVERSITY SQUARE



HOTELS ARE A KEY ACTIVITY GENERATOR IN DOWNTOWN



THE DOWNTOWN LIBRARY

Positioning Rochester

Downtown Rochester has a strong foundation for the future. From an economic development perspective, the role of the plan is to build on the existing strengths of Downtown, while taking advantage of the physical areas for growth and market opportunities. A master plan with a broad base of support provides confidence for investment. Having made many strategic public investments, the focus should now be on leveraging more fully the private sector investment in downtown. Building on this multi-faceted investment, Downtown can strengthen its role as not only a strong medical destination but also an education center and neighborhood with a high quality of life. With ongoing investment in new downtown residential living, Downtown can become a mixed-use neighborhood of the city with an engaged constituency and round the clock presence that will make the city feel vibrant and safe for all users.

Downtown Rochester's growth will be driven by two inter-related economic engines—the Mayo Clinic and the growing University of Minnesota Rochester campus.

An extensive analysis of the Mayo Clinic's economic impact is provided by the February 2010 report entitled "The Economic and Societal Impact of the Mayo Clinic and Mayo Health System" prepared by the Battelle Technology Partnership Practice. As the largest integrated not-for-profit group medical practice in the world, Mayo Clinic has profound economic impacts on downtown Rochester and Olmsted County, including:

- Mayo Clinic's Rochester location provides over 32,000 jobs in primary healthcare, research and education. Most of these jobs are located at downtown facilities
- Mayo's direct and indirect employment accounts for an annual \$6.2 billion impact in the Olmsted County economy

The Mayo Clinic is committed to continued growth and development of its Rochester facilities and anticipates an overall future annual growth similar to historical patterns

The economic impact anticipated from the new University of Minnesota Rochester (UMR) campus was explored in a 2008 report compiled by Development Strategies. Key impacts projected from UMR include:

- By 2029, the downtown UMR campus will have 5,000 students and more than 500 faculty and staff
- The UMR campus will generate demand for housing, retail, research facilities and services that will need to be accommodated within the downtown

- In addition to direct economic impacts from UMR students and staff, partnership opportunities with Mayo Clinic and other entities will provide opportunities for the business incubation in bioscience and other related technologies

To determine how downtown Rochester could be affected by and capitalize from these two key economic engines, the Rochester Downtown Master Plan market analysis incorporated the following

- A market profile that provides a 2010 snapshot of local market conditions, plus changes from a similar profile that was completed in 2004
- A community attitude survey that sought insight on use patterns and improvement priorities from Rochester residents and Mayo Clinic workers. Nearly 5,000 individuals responded to the survey
- A local realtor survey to seek opinions on barriers and opportunities for downtown housing
- Development program projections for future downtown housing, retail, hospitality and office uses. The projections are based solely on anticipated growth rates and economic impacts resulting from the Mayo Clinic and UMR

Market Profile

The 2010 Market Profile provides a snapshot of key marketing indicators and reveals trends and updates that have occurred since a similar market profile was first prepared for the 2004 Market-Based Downtown Plan. An analysis of area visitors, residents and employees provides the most accurate description of the target markets that will be generating the demand for the business products and services and amenities in the Downtown.

The analysis was based upon recent data compiled for the City of Rochester and the Rochester Metropolitan Statistical Area (MSA). In recent years, the Rochester MSA has grown to encompass not only Olmsted County, but all of Dodge County and Wabasha County as well. The study area boundary has expanded along the east, west and south edges since the 2004 study.

Highlights from the 2010 market profile include:

The Rochester Market Area:

- Rochester is currently the third largest city in the state and one of the nation’s fastest growing Metropolitan Statistical Areas (MSAs)
- Recent estimates show that the City of Rochester had a total population of 102,437, an increase of 19.4% over 2000
- Based upon recent Census data, minority populations, (i.e. Asian, American Indian, African American) remain a small percentage (11.7%) of the total population of the City of Rochester. Local estimates place the minority proportion at approximately 15% based upon school enrollment changes since 2000
- Foreign-born persons make up 11% of the population of the City of Rochester, with Somalis as the largest population (2,754). More than 900 Somali-speaking children are enrolled in the Rochester public school system. Sixty-two different languages are spoken in the homes of Rochester public school children
- During 2008, Rochester’s hospitality industry provided more than 11,000 FTE jobs, hosting about 2.75 million visitors
- Visitors to Rochester spent an average of \$850,000 daily in 2008, or a total of \$325 million in 2008
- Citywide, the general merchandise, eating and drinking places and building materials categories are historically

the largest in terms of sales and use tax collections by industry. Between 2004 and 2007, eating/drinking collections led all categories with an increase of 21%, general merchandise grew by 9.1% and building materials showed the greatest decline (-14.5%) in collections of all industry categories

The Downtown Sub-Market:

- Downtown Rochester contains 17% of all Rochester retail, including 27% of the City’s eating and drinking establishments
- In 2004, downtown apparel retailers represented 42.1% of the Rochester apparel/accessories market, compared to 23.2% in 2009
- 80% of health and personal care stores and 29.9% of Rochester’s leisure goods retailers are located in Downtown
- Half of Rochester’s 5,000 hotel rooms are located within downtown Rochester
- During 2008, total crime offenses in downtown Rochester represented only 9.7% of total offenses for the City of Rochester
- 70% of the 2.75 million annual visitors to Rochester are estimated to have traveled to Rochester because of the Mayo Clinic.
- 2008 Rochester Public Library visitation was 544,385, or an increase of 12.5% over 2003
- More than one-third of Rochester area total employment is located in the downtown Rochester area

Rochester Area Realtor Survey

More than 600 members of the Southeast Minnesota Association of Realtors were surveyed in January of 2010 to gain an understanding of their perceptions about the potential for increased downtown housing, barriers to housing development and product types that the market could sustain. 118 responses were received. Some highlights of the survey:

- Respondents are involved occasionally (47.4%) in downtown residential real estate transactions
- 65.2% of respondents feel that apartments would be the most marketable new housing product in downtown over the next three years, followed by lofts (47.6%) and mixed use housing (32.4%)
- 86% of respondents see young professionals as the top market prospect for new housing followed by medical residents (84.2%) and students (76.3%)
- To help support housing development, a grocery store is seen as the most important amenity by 87.3%, followed by restaurants (71.8%) and services (i.e. salon/barber dry cleaner, florist, etc.)
- Respondents perceived parking (75.5%) as a significant barrier to development of new downtown housing, followed by lack of amenities for residents (35.5%) and lack of available product (34.5%). Notably, 28.2% cited regulatory barriers and lack of market demand (21.8%)
- When asked to suggest one thing that would improve downtown Rochester as a place to live, respondents' major themes included affordability of housing, more entertainment options, and more parking

Community Survey Summary

As part of the Rochester Downtown Master Plan process, an online community attitudes survey was conducted via multiple channels, including through distribution of front page "post-it notes" on the Rochester Post-Bulletin, through the Mayo employee network, to the staff and students of the University of Minnesota Rochester (UMR) and to the neighborhoods of Downtown Rochester via neighborhood organizations. In all, **4,961 respondents** who live or work in the Rochester area completed the survey.

- More than 80% of survey respondents indicated that they are employees or students at the Mayo Clinic
- More than 60% of respondents have lived in the Rochester area for more than 10 years
- Nearly two thirds of respondents are female, and nearly two-thirds are age 35 to 69

Where applicable, responses to this 2010 survey are compared to similar questions asked in the 2004 Community Attitudes Survey completed as part of the Rochester Market-Based Downtown Plan. That survey was distributed via direct mail to 5,000 Rochester households as an insert in utility bills throughout the city's four major zip codes. 1,809 surveys were returned in that process.

Key findings from the 2010 community survey include:

- Downtown remains a relevant and important destination for respondents that live or work in Rochester. More than 76% visit once a week or more
- Top reasons for visiting downtown are restaurants, the Mayo Clinic and special events. Special events appear to be a strong activity generator that have emerged since 2004
- Top reasons for avoiding downtown are difficulty finding parking, lack of diverse retail and cost of parking. Notably cost of parking is much less of a barrier than finding parking
- Traffic and congestion has decreased as an impediment since 2004
- Downtown is viewed as safe
- Female respondents are more averse to specific parking problems than male respondents
- Future improvements that would improve visitation include more/different restaurants, special events, more convenient parking and a more walkable downtown with a stimulating street level experience
- More than 40% of survey respondents would consider living downtown, including a majority of non-Mayo employee and male respondents
- Preferred housing types are condos, lofts and townhouses
- Preferred amenities to support living options include restaurants, a grocery, entertainment and green space

Summary of Downtown Development Projections

To forecast development potential in the downtown Rochester Master Plan study area, we evaluated impacts from the anticipated growth of the area’s two primary economic generators – the Mayo Clinic and the University of Minnesota’s (UMR) new Rochester campus. The following projections are considered conservative, since they do not take into account additional spin-offs or “multipliers” that would be created by these two growing institutions. Assumptions and calculation worksheet for the following summary is included in the Technical Appendix.

Downtown Housing Development

Over the next 20 years, from **1,900 to 4,200** new housing units are projected to be supported in the Downtown Master Plan study area from demand created by existing and new Mayo and UMR employment. Key assumptions are that 50% of non-student employees will choose to live in the City of Rochester, and that Downtown can capture 5% to 10% of the professional and workforce sub-markets in Rochester. For students and medical residents, the key assumption is that Downtown can capture from 10% to 25% of this entire sub-market.

| HOUSING TYPE | 2010 | 2015 | 2020 | 2030 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| PROFESSIONAL-HIGH PRICE POINT | 100 to 200 | 105 to 211 | 113 to 226 | 129 to 257 |
| WORKFORCE/YOUNG PROF-MED PRICE POINT | 850 to 1,700 | 926 to 1,852 | 1,001 to 2,003 | 1,204 to 2,409 |
| STUDENT/MED RESIDENT-LOW PRICE POINT | 200 to 500 | 293 to 733 | 340 to 850 | 600 to 1,500 |
| TOTAL RANGE OF UNITS (CUMULATIVE) | 1,150 to 2,400 | 1,324 to 2,796 | 1,454 to 3,079 | 1,933 to 4,166 |

Downtown Retail Development

New retail demand will be created by employment growth at Mayo Clinic and the UMR campus, spin-offs in employment and hospitality segments created by these institutions, and the overall anticipated growth of the Rochester-area market. In 2010, the Downtown Master Plan study area has an existing retail supply of 340,000 square feet in street level, subway and skywalk levels. About 66,000 square feet was found to be vacant, much of this space concentrated in the South Broadway corridor and surrounding area, resulting in an existing occupied retail base of about 275,000 square feet. Projected retail opportunities include:

| YEAR | EST. NEW RETAIL SQ.FT. FROM UMR STUDENTS | EST. ADDITION TO RETAIL BASE SQ.FT. FROM MAYO GROWTH @ 2% PER YR | TOTAL ESTIMATED RETAIL GROWTH |
|------|--|--|-------------------------------|
| 2010 | 4,500 | 5,500 | 10,000 |
| 2015 | 11,500 | 27,500 | 39,000 |
| 2020 | 13,400 | 55,000 | 68,400 |
| 2030 | 33,600 | 110,000 | 143,600 |

There are 5 primary categories where students spend their discretionary income:

- 1. Food and Snacks—Students spend a majority of their discretionary income on food (45% of discretionary income or \$11 billion per year/total student spending power)
- 2. Clothes and Shoes (21% of discretionary income or \$5 billion per year/total student spending power)
- 3. Personal Care (17% of discretionary income or \$4 billion per year/total student spending power)
- 4. Entertainment—Music sales, theater tickets, games, DVD rentals, etc. (13% of discretionary income or \$3 billion per year/total student spending power)
- 5. Electronics, Gadgets and Technology—Computers, TVs, Cell Phones and Services, etc. (4% of discretionary income or \$1 billion per year/total student spending power)

Downtown Hotel Development

The demand for new hotel development is driven primarily by the growth of Mayo patients, expected to grow at an annual rate of 1.67%. Downtown, including the Saint Marys area, currently has 3,100 hotel rooms.

| HOTEL ROOM GROWTH | 2010 | 2015 | 2020 | 2030 |
|---|------|------|------|-------|
| PROJECTED GROWTH IN DOWNTOWN HOTEL ROOMS (CUMULATIVE) | 52 | 259 | 518 | 1,035 |

Downtown Office Development

We assume that Mayo Clinic, UMR and hospitality growth will be accommodated within the context of Mayo and UMR master plans, and within the preceding hotel projections. To estimate the growth of non-Mayo/UMR/hospitality office potential, we identify the existing non-medical/hospitality/education downtown workforce. According to adjusted US Census data in 2008, downtown employees in these remaining sectors is about 15% of 40,000, or 6,000 employees. An annual growth rate of 2% is used for forecasting, mirroring projected growth in the Mayo Clinic.

| OFFICE SPACE DEMAND | 2010 | 2015 | 2020 | 2030 |
|--|--------|--------|---------|---------|
| ANNUAL GROWTH IN NON-MEDICAL, HOSPITALITY OR EDUCATION JOBS @ 2% PER YEAR | 120 | 600 | 1,200 | 2,400 |
| OFFICE SQ.FT. DEMAND @ 150 SQ.FT. PER JOB | 18,000 | 90,000 | 180,000 | 360,000 |

